

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Northville Downtown Development Authority</u>	County Oakland/Wayne
Audit Date June 30, 2004	Opinion Date September 2, 2004	Date Accountant Report Submitted To State: November 5, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Northville Downtown Development Authority

**Financial Report
with Required Supplemental Information
June 30, 2004**

Northville Downtown Development Authority

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Independent Auditor's Report

To the Board of Directors
Northville Downtown Development Authority

We have audited the accompanying financial statements of the governmental activities of the Northville Downtown Development Authority as of and for the year ended June 30, 2004, which collectively comprise the DDA's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Northville Downtown Development Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Northville Downtown Development Authority as of June 30, 2004 and the changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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To the Board of Directors
Northville Downtown Development Authority

The accompanying required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northville Downtown Development Authority's basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 2, 2004

Northville Downtown Development Authority

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the Northville Downtown Development Authority (the "DDA") provides an overview of the DDA's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2004.

- The financial report for the year ended June 30, 2004 reflects the second year of complete implementation of Governmental Accounting Standards Board Statement Number 34. That Statement significantly changed the content and format of governmental financial reporting. Accordingly, these statements present both entity-wide financial reporting in addition to reporting financial information at the fund level. A reconciliation of the net change in fund balance to the change in net assets is provided on page 7.
- Overall, revenues and expenditures were consistent with the prior year. However, there are several expenditures that are noteworthy.
 1. The DDA expended \$98,000 toward the design and development of a major parking expansion program. The proposed project financing was subject to a referendum which resulted in the financing not being approved by the voters in November 2003. Future parking expansion is being revisited to evaluate other project options to meet the needs of the downtown and surrounding areas.
 2. The DDA continued into its second year of a partnership with a private business for access to, and maintenance of, public restrooms in the downtown area. The DDA's contribution for sharing in those facilities was \$15,471.
 3. The DDA also continued programs in partnership with the Northville Central Business Association, Northville Parks and Recreation Commission, Northville Arts Commission, Northville Beautification Commission, City of Northville, and the Northville Chamber of Commerce to maintain and promote downtown Northville.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the DDA as a whole and present a longer-term view of the DDA's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

Northville Downtown Development Authority

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the DDA's operations in more detail than the government-wide financial statements by providing information about the DDA's fund.

The DDA as a Whole

	2004	2003
Assets - Current assets	\$ 1,278,693	\$ 1,100,607
Liabilities		
Current liabilities	40,259	60,320
Long-term liabilities	-	3,299
Total liabilities	40,259	63,619
Net Assets - Unrestricted	<u>\$ 1,238,434</u>	<u>\$ 1,036,988</u>

Unrestricted net assets increased by \$201,446. This represents an increase of 19.4 percent. That increase is due to the delay of a parking expansion program from 2003. If a parking expansion program is not finalized within the next year, it is likely that these funds will be reprogrammed for other capital improvement programs.

As would otherwise be expected, total assets and total liabilities are consistent with the prior year.

Northville Downtown Development Authority

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year in comparison with the prior year:

Captured taxes (Note 5)	\$ 867,043	\$ 793,167
Operating levy	47,023	44,274
Interest income	<u>9,353</u>	<u>15,197</u>
Total revenue	923,419	852,638
Expenditures		
Community and economic development	183,874	128,237
Public works	193,940	338,651
Recreation and culture	4,700	450
Debt service	<u>339,459</u>	<u>293,214</u>
Total expenditures	<u>721,973</u>	<u>760,552</u>
Excess of Revenues Over Expenditures	<u>\$ 201,446</u>	<u>\$ 92,086</u>

Revenues increased by \$70,781, or 8.3 percent, while expenditures decreased by \$38,579, or 5.1 percent. The increase in revenue reflects the overall increase in the DDA district, while the decrease in expenditures reflects the delay in parking expansion or other capital improvements until a satisfactory proposal is assembled.

The DDA's Fund

The DDA maintains one fund: the General Fund. The fund provides detailed information about the DDA as a whole. The use of this fund helps to manage money for specific purposes as well as to show accountability for certain activities.

General Fund Budgetary Highlights

The General Fund accounts for all programming, maintenance, construction, and administrative functions of the DDA within the DDA boundaries. The budget is monitored closely and amended quarterly.

The General Fund pays for all of the DDA's services. The most significant are program activities, maintenance, and contributions toward infrastructure and parking construction in downtown Northville.

Northville Downtown Development Authority

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The DDA contributes financial support to the City of Northville for some of the construction and maintenance of assets within the DDA boundaries. Most of those costs are recorded in the financial statements under the category of public works expense. The DDA does not have any capital assets of its own.

The DDA does not have debt of its own. The DDA has a pledge, however, to repay the principal and interest of the City of Northville's general obligation bonds. These bonds were issued for a parking expansion program in 1993.

Economic Factors and Next Year's Budgets and Rates

The value of property within the DDA has grown beyond the rate of inflation. This is due primarily to new commercial and residential development projects. With the fiscal year 2005 budget, funds of \$1,005,000 have been designated for a major parking expansion program. The evaluation of parking expansion and/or other capital improvements will be a primary focus in the upcoming year, along with continuing partnerships to promote downtown Northville.

Contacting the DDA's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the DDA's finances and to show the DDA's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Northville Downtown Development Authority's office at 215 West Main Street, Northville, Michigan 48167, or via the DDA's Web site at www.downtownnorthville.org.

Northville Downtown Development Authority

Statement of Net Assets and Governmental Fund Balance Sheet June 30, 2004

	General Fund	Adjustments (Note 3)	Statement of Net Assets
Assets			
Cash and investments (Note 4)	\$ 1,276,018	\$ -	\$ 1,276,018
Due from other governmental units	<u>2,675</u>	<u>-</u>	<u>2,675</u>
Total assets	1,278,693	-	1,278,693
Liabilities			
Accounts payable	2,130	-	2,130
Accrued and other liabilities	<u>38,090</u>	<u>39</u>	<u>38,129</u>
Total liabilities	<u>40,220</u>	<u>39</u>	<u>40,259</u>
Net Assets - Fund balances			
Unreserved:			
Designated - Parking expansion	890,000	(890,000)	
Undesignated	<u>348,473</u>	<u>(348,473)</u>	
Total fund balance	<u>\$ 1,238,473</u>	(1,238,473)	
Unrestricted		<u>1,238,434</u>	<u>1,238,434</u>
Total net assets		<u>\$ 1,238,434</u>	<u>\$ 1,238,434</u>

Northville Downtown Development Authority

Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2004

	General Fund	Adjustments (Note 3)	Statement of Activities
Revenue			
Captured taxes (Note 5)	\$ 867,043	\$ -	\$ 867,043
Operating levy	47,023	-	47,023
Interest income	9,353	-	9,353
Total revenue	923,419	-	923,419
Expenditures			
Community and economic development	187,134	(3,260)	183,874
Public works	193,940	-	193,940
Recreation and culture	4,700	-	4,700
Debt service - Pass through commitment	339,459	-	339,459
Total expenditures	725,233	(3,260)	721,973
Excess of Revenue Over Expenditures	198,186	3,260	201,446
Net Assets - Beginning of year	1,040,287	(3,299)	1,036,988
Net Assets - End of year	<u>\$ 1,238,473</u>	<u>\$ (39)</u>	<u>\$ 1,238,434</u>

Northville Downtown Development Authority

Notes to Financial Statements
June 30, 2004

Note I - Summary of Significant Accounting Policies

The accounting policies of the Northville Downtown Development Authority (the "DDA") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Northville Downtown Development Authority:

Reporting Entity

The Northville Downtown Development Authority was formed under Act 197 of the Public Acts of 1975 to develop downtown Northville. A revised development plan was adopted in 1993 that is financed primarily by the proceeds of City of Northville (the "City") general obligation bonds, totaling \$3,800,000. These bonds were issued in May 1994 to finance the construction of parking facilities in downtown Northville. These bonds bear interest from 5.25 percent to 5.6 percent and are due in annual installments through 2008. In the DDA financing plan, the DDA has pledged captured taxes to pay the debt service payment on these bonds.

The accompanying financial statements pertain to the financial activities of the DDA. These activities have also been presented with the financial statements of the City of Northville, Michigan as a component unit.

The accounting policies of the DDA conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

The modified accrual basis of accounting is used. Modifications in such method from the accrual basis are as follows:

- (a) Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Other revenue is recorded when received.
- (b) Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- (c) Normally, expenditures are not divided between years by the recording of prepaid expenses.
- (d) Construction costs are recorded as expenditures when incurred.
- (e) Payments on debt are recorded as expenditures on their due dates.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the DDA. Governmental activities are normally supported by taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the DDA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the DDA.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The General Fund is the DDA's only operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Capital Assets - Capital assets are defined by the DDA as assets with an initial individual cost of more than \$1,500 and an expected useful life of more than one year. The DDA has no assets that meet this criteria.

Compensated Absences (Vacation and Sick Leave) - It is the DDA's policy to permit employees to accumulate earned but unused sick and vacation pay benefits and accumulate compensatory leave time. After 10 years of service, employees may receive payment of the accumulated sick leave balance at the rate of 50 percent for a retirement or 25 percent for other types of termination. A liability is accrued when incurred in the government-wide financial statements.

Fund Equity - In the fund financial statements, designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the Director and then reviewed by the DDA. After the budget is approved by the DDA, it is then presented to the City of Northville for approval prior to the start of the fiscal year. The budget is reviewed by the DDA and the City on a quarterly basis and amended as necessary.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2004

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing bodies is the department level. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The comparison of actual results of operations to the General Fund budget shown in the general purpose financial statements is more detailed than the budget as adopted by the DDA and is presented for analytical purposes only.

Excess of Expenditures Over Appropriations in Budgeted Funds - The DDA did not have significant expenditure budget variances.

Note 3 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of the DDA's governmental funds differ from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet.

The reconciliation of fund balance to net assets relates to compensated absences that are included as a liability for the statement of net assets. The reconciliation of the net change in fund balance to net change in net assets relates to the increase in the accrual for long-term compensated absences reported as an expense in the statement of activities, but is not reported as an expense in the governmental fund.

Note 4 - Deposits and Investments

The DDA's investments during the year consisted solely of a bank investment pool. There was \$1,276,018 invested in this fund at June 30, 2004. Investments are normally categorized to give an indication of the level of risk assumed by the DDA; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The DDA believes that the investments in this fund comply with the investment authority noted above.

The DDA is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2004

Note 4 - Deposits and Investments (Continued)

Bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position of the pool is the same as the value of the pool's shares.

Note 5 - Captured Taxes

Captured taxes represent the property taxes on the increment in taxable value of the downtown development district property since the adoption of the development plan. These taxes are earmarked for debt retirement purposes and other purposes consistent with the development plan.

Note 6 - Designated Fund Balance

Fund balance is designated to show management's intentions. As of June 30, 2004, \$890,000 is designated for the future parking expansion program.

Note 7 - Commitments

Under its pledge to the City, the DDA transfers amounts annually to pay the principal and interest on the City of Northville's general obligation bonds. The annual requirements to service these bonds as of June 30, 2004, including both principal and interest, are shown below.

	Principal	Interest	Total
2005	\$ 320,000	\$ 87,015	\$ 407,015
2006	320,000	69,895	389,895
2007	345,000	51,768	396,768
2008	365,000	32,060	397,060
2009	390,000	10,920	400,920
Total	<u>\$ 1,740,000</u>	<u>\$ 251,658</u>	<u>\$ 1,991,658</u>

Required Supplemental Information

Northville Downtown Development Authority

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Fund Balance - Beginning of year	\$ 1,040,287	\$ 1,040,287	\$ 1,040,287	\$ -
Revenue				
Captured taxes	924,602	866,588	867,043	455
Operating levy	49,359	44,903	47,023	2,120
Interest income	13,043	9,950	9,353	(597)
Total revenue	987,004	921,441	923,419	1,978
Expenditures				
Community and economic development	473,955	232,909	187,134	45,775
Public works	175,445	305,594	193,940	111,654
Recreation and culture	-	4,700	4,700	-
Debt service - Pass through commitment	337,604	339,459	339,459	-
Total expenditures	987,004	882,662	725,233	157,429
Fund Balance - End of year	<u>\$ 1,040,287</u>	<u>\$ 1,079,066</u>	<u>\$ 1,238,473</u>	<u>\$ 159,407</u>